

# HOUSING

**Housing Affordability Index,  
The Percentage of Households  
That Can Afford A Median-Priced Home**

	May-04	Apr-04	May-03
<b>California</b>	19	20	27
<b>United States</b>	55	58	59
<b>California Regions</b>			
<b>Central Valley</b>	30	32	38
<b>Los Angeles</b>	18	20	28
<b>Monterey</b>	12	12	17
<b>Northern California</b>	22	24	32
<b>Orange County</b>	11	13	21
<b>Riverside/San Bernardino</b>	25	27	40
<b>Sacramento</b>	29	33	42
<b>San Diego</b>	11	14	21
<b>San Francisco Bay Area</b>	14	17	19
<b>Santa Barbara County</b>	7	13	19
<b>Santa Clara</b>	22	24	26

Source: California  
Association of Realtors



Photo credit:  
Newly-constructed home in  
Riverside County, courtesy  
of the Riverside Economic  
Development Agency.

High population growth, a short supply of housing, and low mortgage rates fueled the growth of California's housing industry during the first three quarters of 2004.<sup>45</sup> The housing industry, and its related activities, is the second-largest industry group in the state and contributes nearly \$218 billion per year<sup>46</sup> to our economy by generating 935,000 jobs. In fact, the housing industry accounts for approximately 10 percent of all economic activity in the state.<sup>47</sup> The median price of a home in California climbed to a record \$469,170 in June, an increase of 25.3 percent over the past year.<sup>48</sup> However, federal interest rates continued to rise and, by November 2004, the median home price dropped slightly to \$465,000 and the rate of home sales declined to their lowest point since 2002.<sup>49</sup>

Despite the recent modest decline in home prices, only 19 percent of households in California are now able to afford a median-priced home,<sup>50</sup> down from 30 percent in 2000.<sup>51</sup> Based on typical mortgage and down-payment requirements, the minimum household income needed to purchase a median-priced home at \$465,000 in California is \$108,450,<sup>52</sup> far more than would be required to buy a home at the national median price of \$188,000.<sup>53</sup>

Balanced economic growth depends on an adequate supply of housing. With the median price of homes in California at an all-time high, the state continues to explore aggressive methods to alleviate the affordable housing shortfall.

In its efforts to increase the availability of entry-level housing, in June 2004 the California Department of Housing and Community Development awarded \$148 million for housing development funded by Proposition 46. Awards included more than \$105 million to build nearly 1,900 units of affordable rental housing for lower-income workers, the disabled, elderly and farmworkers. Yet, only \$4 million of that funding went towards promoting new, affordable homeownership opportunities.

To help increase housing supply and thereby bring down housing costs, particularly for first-time homebuyers and California's emerging workforce, the Legislature is exploring changes to existing policies and laws that act as barriers to housing production. This includes examining NIMBY (Not In My Backyard) policies that obstruct the development of affordable home ownership and farmworker housing.

<sup>45</sup> California Building Industry Association, "News Release," June 29, 2004, <http://www.cbia.org>.

<sup>46</sup> Sacramento Regional Research Institute, "The Economic Benefits of Housing in California," March 2004.

<sup>47</sup> Ibid.

<sup>48</sup> California Association of Realtors, "News Release," July 26, 2004, <http://www.car.org>.

<sup>49</sup> Ibid.

<sup>50</sup> California Association of Realtors, "News Release," July 8, 2004, <http://www.car.org>.

<sup>51</sup> California Association of Realtors, "News Release," December 7, 2000, <http://www.car.org>.

<sup>52</sup> California Association of Realtors, "News Release," July 8, 2004, <http://www.car.org>.

<sup>53</sup> National Association of Realtors, "Housing Indicators," January 24, 2005, <http://www.realtor.org>.